

**Executive summary:**

**Domestic rice market remained under pressure** on higher kharif crop size, lower demand and increased competition from Pakistan, Myanmar and to some extent Vietnam despite appreciating Indian currency and production loss in Tamil Nadu due to flooding and lower rabi acreage. However, during last week of Jan prices of duplicate Pusa basmati improved on fresh inquiry from overseas buyers.

**Indian panel to review MEP for basmati rice and** decision over non basmati rice export allocation on 7th Feb.2012.MEP for basmati may be reduced by 22 percent to \$700 per T.

**India is likely to export between 3.0 million metric tonnes** of common -grade rice by the end of the current financial year through March. As of now almost 2 million tonnes non basmati rice has been shipped out and we expect further 2 million tonnes export excluding basmati in next six to seven months time.

**India's rice stocks with government procurement** agencies stood at 29.71 MMT as on 1st Jan-2012 and with ongoing procurement it is likely cross 31 MMT in Feb. The government rules stipulate that Food Corporation of India(FCI), the central agency for grain procurement and distribution, should have a buffer stock of 14.2MMT of rice, including 2 MT of strategic reserves, as of April 1st ,2012 , each year.

**Paddy procurement in the 2011-12 kharif marketing season**(Oct-Sept) has crossed 20 million tonnes throughout the country and given the flow of arrivals set target of 35 million tonnes seems very much within reach.Major contributors are Punjab,Chhattishgarh, Andhra Pradesh and Haryana.

**Market Fundamentals:**

New trade enquires pushed up Pusa-1121 (sela) and duplicate basmati prices with rising hope that govt may slash down MEP for basmati by 22 percent to \$ 700 per T, while all other aromatic and non-basmati rice varieties were unchanged. In overseas markets, Indian white rice touched \$455-\$465 a tonne (f.o.b.) last week, up from \$440-\$450 a week ago. Demand for Indian rice abroad is rising and recently traders signed new contracts for aromatic varieties. Besides, demand for non basmati rice is as usual and export will continue with brisk pace in the weeks ahead. A weak dollar against the rupee also supported the rise in prices.

Procurement of paddy is very smooth and has already crossed 20 million T mark. Higher arrivals in South India and resultantly lower prices may encourage govt. to announce bonus over and above MSP of Rs 1110 per qtl. so that minimum support price may be ensured. An additional export quota for non basmati rice may be allowed any time and export will continue without any break.

The Union minister for consumer affairs, food and public distribution KV Thomas is expected to take up a major initiative to modernize and mechanize the public distribution system, and embark on end to end computerization of the system for better coordination and food grains movement. Direct online link will be established between the Food Corporation of India (FCI) godowns and the Public Distribution System (PDS) to track the movement of foodgrains and check misappropriation and irregularities by dealers and others.

**Rice demand -supply and projection for 2011-12:**

Value in MMT		Excluding Non Basmati Exports	Including Non Basmati Exports
	2010-11	2011-12	2011-12
Beginning Stocks	18	30	30
Production	95	102	102
Total Availability	113	132	132
Domestic consumption	48	51	51
Govt. Procurement	33	35	35
Exports	2	2.3	4.3
<b>Total Usage</b>	<b>83</b>	<b>88.3</b>	<b>90.3</b>
Ending Stocks	30.0	43.7	41.7

**Source: Agriwatch**

Agriwatch expects 102 million tonnes rice production in 2011-12 and will be able to export total 6.6 million tonnes by the end of this crop year. Domestic consumption may touch 51 million tonnes from 48 million tonnes in 2010-11 due to higher availability. Higher crop size, increased MSP and likely bonus for south Indian states will ensure maximum procurement to the tune of 35 million tonnes. As the demand –supply table shows total usage will go up from 83 million tonnes to 88.3 million tonnes excluding non basmati export. If we include non basmati export it will cross 90 million tonnes in 2011-12. Despite higher usage and export ending stock is expected to cross 41.7 million tonnes, quite higher than 14.2 million tonnes required on 1st of April 2012. It will create storage crunch as wheat procurement starts in April and higher wheat procurement is expected in the range of 30 million tonnes in MY 2012-13.

**Export status (non-basmati): Rice and wheat export under OGL:**

Wheat and rice export under OGL	Rice (fig in lakh T)	Wheat (Fig in Lakh T)
Sept.11	1.85	0
11-Oct	4.5	1.3
11-Nov	4.8	1.8
11-Dec	5.1	1.2
12-Jan	5.2	0
<b>Total</b>	<b>21.45</b>	Official      4.3

Note: Unofficial figure is quite higher around 7 to 8 lakh tonnes, illegally through road route from West Bengal to Bangladesh. Rice export is on the rise continuously as the above table shows. Non – basmati export have crossed 2.1 million T mark in January and we expect it to touch 4 million tonnes (non-basmati) by the end of May. Total rice export may cross 6.5 million tonnes going by present export trend.



Rice stocks in Central Pool as on 1st Jan, 2012 stood at 29.71 MMT which is higher by over two times from an actual requirement of buffer norm(14.2 MMT) as on 1st April 2012. Rice stock is continuously increasing and likely to touch the highest level in March-April with smooth procurement and bumper harvest. Going by present procurement trend set target of 35 million tonnes(paddy) is easily achievable. Stock in Feb may touch 31.8 MMT and in March it may cross 33 million tonnes as offtake is expected to remain at lower side due to higher availability in the market.

**Zone Wise Rice Stock position: As on 01.01.2012**

Fig in Lakh T	Stock with FCI	Stock with state agencies	Total central pool stock as on 01.12.2011
East Zone Total	5.61 (6.26)	11.27 (7.53)	16.88 (13.79)
NE Zone Total	1.45 (1.68)	0.0	1.45 (1.68)
North Zone Total	76.11 (67.96)	138.50 (103.97)	172.25 (171.93)
South Zone Total	50.41 (47.75)	12.26 (9.85)	62.67 (57.60)
West Zone Total	11.99 (10.10)	27.53 (13.42)	39.52 (23.52)
Stock in Transit	4.41 (2.10)	--	(4.41 (2.10)
All India Total	149.98 (133.76)	147.20 (134.77)	297.18 (270.63)

Rice stock position in India is quite comfortable. It is more than two times higher than required quantity for buffer norm as on 1<sup>st</sup> April 2012 as depicts the below given table. Against requirement of 142 including strategic reserve of 20 lakh tonnes. Current rice stock is over 297.8 lakh tonnes. When we consider zonal wise stock it has been increasing in every zone with ongoing smooth procurement. Rice stock will continue to increase from Dec to April and touch 330 lakh tonnes(rice) given the record production and increasing stock trend during these months

**Buffer Norms And Strategic Reserve:**

As on	Buffer Norms			Strategic Reserve		Grand Total
	Rice	Wheat	Total	Rice	Wheat	
1st April	122	40	162	20	30	212
1st July	98	171	269	20	30	319
1st October	52	110	162	20	30	212
1st January	118	82	200	20	30	250

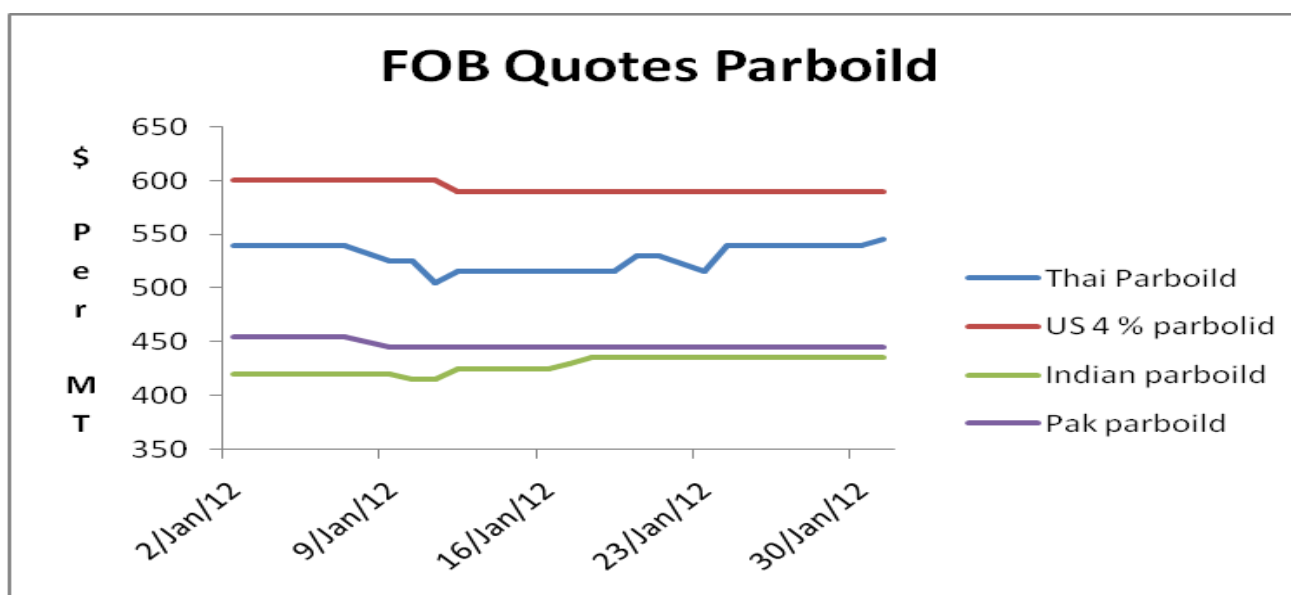
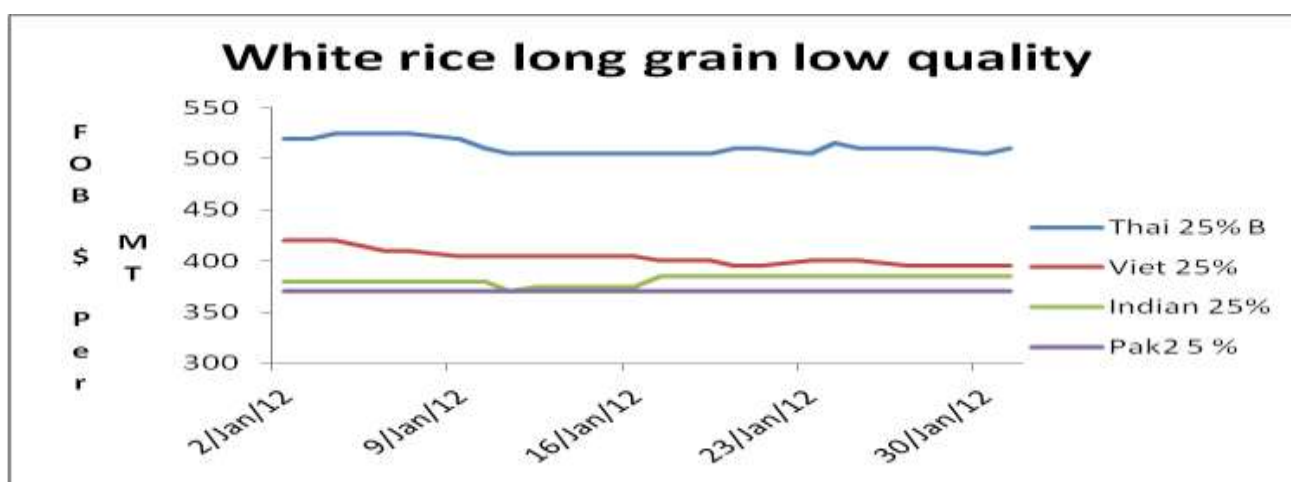
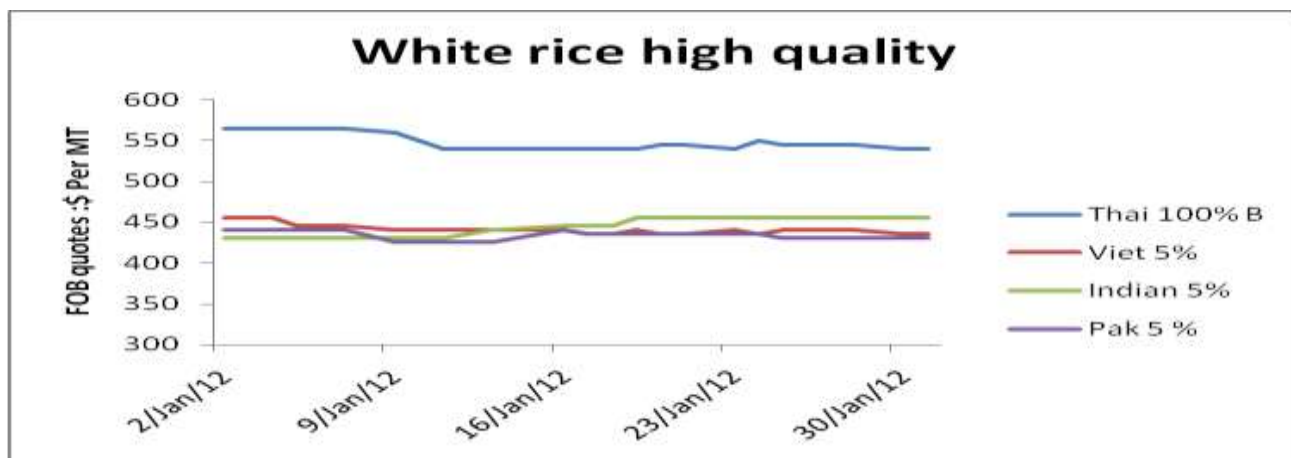
**Domestic Rice Price Trend and Outlook:**

State	Prices January, 2012	Prices December, 2011	Prices January, 2011	% Change(Over Previous Month)	% Change(Over Previous Year)
Andhra Pradesh	1895.18	1934.22	2295.46	-2.02	-17.44
Assam	2310.44	2665.11	2670.36	-13.31	-13.48
Gujarat	2060.82	2043.77	1907.32	0.83	8.05
Jammu and Kashmir	5503.62	5700	5145.59	-3.45	6.96
Jharkhand	2004.65	2025.95	2151.88	-1.05	-6.84
Karnataka	2196.95	2186.16	2134.73	0.49	2.91
Kerala	2906.33	2768.97	3651.24	4.96	-20.4
Maharashtra	3989.82	4120.47	4043.95	-3.17	-1.34
Meghalaya	3059.55	3064.1	2591.33	-0.15	18.07
NCT of Delhi	1544.9	1596	1432.5	-3.2	7.85
Orissa	1921.21	1870.76	1821.05	2.7	5.5
Punjab	1536.69	1550.91		-0.92	—
Uttar Pradesh	1457.13	1516.09	1417.13	-3.89	2.82
Uttarakhand	1473.14	1675	1710.54	-12.05	-13.88
West Bengal	1893.73	1853.31	1961.85	2.18	-3.47
Average	2323.49	2338.59	2357.82		

**Price Rs/Per qtl:**

Prices of rice have decreased considerably in comparison to December except some centers like Gujarat, Karnataka, Kerala and West Bengal as depicts the above table. Higher supply is pressurizing market despite good demand for non basmati export. However, traders say that now further loss is unlikely as fresh demand at current level is expected from millers, exporters in the weeks ahead. Smooth procurement should support market at current level. Lower rabi area may also influence price.

**Comparative FOB Quotes in Overseas rice market during Jan2012**



FAO estimates higher world carry over stock:

The United Nation's Food and Agriculture Organization (FAO) today forecast that the carry over world rice supply from 2011 into 2012 is about 151 million tons, the highest since 2000 and equivalent to cover 32% of anticipated world consumption, up from 30% in 2011. The high carryover is thanks partly to bumper harvests in 2011 which produced about 481 million tons of rice, equivalent to about 721 million tons of paddy. FAO is forecasting world rice trade this year of about 32.8 million tons, down about 5% from 2011 due to lower demand from importing nations. FAO

#### IGC estimates higher rice production:

**Because of increases in Asia, notably in China and India**, global rice production is projected to go up by 2% in 2011/12, to 459m. tons. The record outturn will be accompanied by a further expansion in global use, to 458m. tons (448m.), with the carryover placed at a nine-year high of 98m. (96m.). Inventories in the five major exporters are projected to rise by 10%, to an all-time high of 31.9m. tons, due to increases in India and Thailand. World trade in calendar 2012 is forecast to contract sharply, by 8%, to 31.5m. tons, owing to significantly reduced shipments to markets in Far East Asia.

#### IGC Balance Sheet: Updated on 19.01.2012

IGC estimate released on 19.01.12	2007-08	2008-09	2009-10	2010-11 est.	2011-12 forecast 24.11.11	2011-12 forecast 19.01.12
<b>Rice</b>						
Production	432	447	440	449	459	459
Trade	29	29	31	34	32	32
Consumption	429	436	437	448	458	458
Carry over St.	80	92	95	96	100	98
Year change	+3	+12	+3	+1		+2
Major exporters	18	27	28	29	32	32

Note: Major exporters are India, Pakistan, Thailand, Vietnam, United States

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